

UNCLASSIFIEDBRIEFING NOTE FOR THE DEPUTY MINISTER**VISIT TO SEASPAN SHIPYARDS – APRIL 2016****ISSUE**

1. This briefing note provides an overview of the National Defence dealings with Seaspan Shipyards and suggested speaking points for a visit in April 2016.

BACKGROUND

2. There are three shipyards that fall under the Seaspan Shipyards umbrella, namely: Victoria Shipyards, Vancouver Drydock and the Vancouver Shipyard. Mr. Brian Carter is the President of Seaspan Shipyards and was hired soon after the announcement of the selection of the National Shipbuilding Procurement Strategy shipyards in 2012. He has extensive experience in shipbuilding in the United States, although not as a President.
3. In 2011, Canada announced the selection of Vancouver Shipyard to build the Non-Combat vessel work package as part of the National Shipbuilding Procurement Strategy, which currently includes:
 - a. The Canadian Coast Guard's Offshore Fisheries Science Vessels,
 - b. The Canadian Coast Guard's Offshore Oceanographic Science Vessel,
 - c. The Department of National Defence's Joint Support Ships, and
 - d. The Canadian Coast Guard's Polar Icebreaker,
4. Prior to the selection for the Non-Combat package, Vancouver Shipyards
The yard primarily built barges and :
5. Since being selected to build the Non-Combat package, the shipyard has completed an extensive modernization of its facility at no cost to Canada. This modernization was completed in October 2014, Vancouver Shipyards has also completed the design work of the Offshore Fisheries Science Vessels and started construction on the first of three vessels in this class on 18 June 2015.

UNCLASSIFIED

UNCLASSIFIED**NATIONAL DEFENCE PROJECTS**

7. Joint Support Ship. With a budget of \$2.3B excluding taxes, the Joint Support Ships will deliver two replacement Auxiliary Oil Replenishment vessels to support deployed naval task groups, provide limited sealift and support to Canadian and international operations including naval operations, humanitarian assistance and disaster relief. Vancouver Shipyards is currently working on the design of the Joint Support Ship. This design work is expected to adjust the selected German design baseline to incorporate the changes required to build these ships in Vancouver Shipyards using a Canadian supply chain where possible and appropriate, and with the modifications required to meet the Canadian operational and materiel certifications requirements. The recently awarded Long Lead Items contract will support the design process with the acquisition of equipment information and enable timely delivery of materiel requiring long lead purchase commitments. Next steps involve completion of the contract design work and then obtaining approval of expenditure and contracting authorities to finalize the design to a production ready state in time for the target construction start in late 2017.

8. Halifax Class Modernization. Victoria Shipyards is extensively involved with the modernization of the five West Coast based ships within the Halifax Class Modernization program. Seaspan will soon deliver their last ship. A reception is planned for the evening of Friday, 29 April 2016 in Victoria, British Columbia to mark the occasion and celebrate the successes achieved. As a result of their efforts on Halifax Class Modernization, Victoria Shipyard will also be involved in the modernization of two frigates from New Zealand.

9. Arctic/Offshore Patrol Ship and Joint Support Ship In-Service Support Contract. The National Shipbuilding Procurement Strategy mandated the requirement to compete the in-service support separately from the build contracts. The decision was made to combine the in-service support requirements for the Arctic/Offshore Patrol Ship and the Joint Support Ship into a single through life in-service support contract for reasons of efficiencies.

10. Victoria In-Service Support Contract. Victoria Shipyard is a key subcontractor to Babcock Canada for the heavy maintenance of the Victoria Class submarines. They are currently conducting heavy maintenance on the second submarine to do through their yard. Weld issues were discovered on the first submarine they overhauled as a result of poor work completed by a third-party quality assurance firm contracted to Victoria Shipyard. Seaspan has assumed responsibility and is effecting repairs under warranty.

UNCLASSIFIED

UNCLASSIFIED**SPEAKING POINTS****11. Current Issues:**

the yard is moving steadily forward as indicated by the start of construction and the successful interim Target State assessment.

Proposed Response: There is no-doubt that Vancouver Shipyard has made great progress to date in modernizing and developing their shipyard.

, and I am informed that the Joint Support Ship Integrated Project Team is working diligently in a collaborative manner to deliver the ships on time.

Proposed Response: I am advised that the contracting work is indeed more burdensome than desired when the framework was established in 2012. I am informed that a number of steps are now being taken to address this challenge.

c. The shipyard may raise concerns for meeting their Industrial Regional Benefits Requirements commitments as a result of the priority assigned by Government Project Offices on the selection of the "lowest cost compliant" bidders to equipment selection competitions.

Proposed response: You would appreciate that benefits for Canadian industry are important to us all. It is my understanding that, in terms of the Joint Support Ship project, you have been made aware of:

o facilitate achievement of the shipyard's Industrial Regional Benefits obligations while satisfying other important objectives as well.

CONCLUSION

11. This briefing note provides an overview of the National Defence dealings with Seaspan Shipyards and suggested speaking points for a visit in April 2016.

UNCLASSIFIED